



Bank of India

Instrument/Facility	Rated Amount (in INR Crores)	Amount Outstanding (in INR Crores)	Rating Action (October 2015)
Lower Tier II Bonds	950	200	Revised to [ICRA]AA+ (Stable) from [ICRA]AAA (Stable)
Upper Tier II Bonds	1000	732	Revised to [ICRA]AA (Stable) from [ICRA]AA+ (Stable)
Innovative Perpetual Debt Instruments	658	655	Revised to [ICRA]AA (Stable) from [ICRA]AA+ (Stable)
Term Deposit Programme	-		MAAA (stable) reaffirmed

ICRA has revised the ratings outstanding on the Rs. 950 Crores Lower Tier II Bonds Programme of Bank of India (BoI) from [ICRA]AAA (Pronounced ICRA Triple A plus) to [ICRA]AA+ (Pronounced ICRA Double A plus); on the Rs. 1000 Crores Upper Tier II Bonds Programme from [ICRA]AA+ (Pronounced ICRA Double A plus) to [ICRA]AA (Pronounced ICRA Double A) and on the Rs. 658 Crores Innovative Perpetual Debt Instruments from [ICRA]AA+ (Pronounced ICRA Double A plus) to [ICRA]AA (Pronounced ICRA Double A). All ratings carry a stable outlook.

The rating revision follows the pressure on the profitability indicators due to deterioration in the asset quality over the past few quarters. The subdued growth of its loan book coupled with high proportion of exposures that would keep credit costs high and relatively weaker capitalization levels necessitating sizeable capital to meet the regulatory minimum capital under Basel III norms are likely to continue exert adverse pressures on the key performance indicators of the bank over the near term. The ratings however continue to draw comfort from the bank's majority sovereign ownership with 70.13% stake held by Government of India (GoI), demonstrated support from its largest shareholder including the Rs 2455 crore capital infusion from the GoI as part of "Indradhanush" mission, strong franchisee and branch network and a healthy proportion of overseas income. The bank's ability to prevent further asset quality deterioration will remain a key rating sensitivity.

BOI has seen significant deterioration in its asset quality with an increase in GNPA% to 6.80% in June 2015 vis-a-vis 5.39% in March 2015 and 3.16% as on March 2014. The bank saw high slippages of Rs 6576 Crores in Q4FY2015 which continued to remain at elevated level at Rs 6535 Crores in Q1FY2016. BOI witnessed stress in its corporate segment where the GNPA% increased from 6.28% in March 2014 to 7.26% in March 2015 and nearly doubled by the end of Q1FY2016 to 14.73%. Further, BoI had standard restructured portfolio as a percentage of Gross Advances as 4.53% as on June 2015 which was lower than the industry average of around 7.50%. The asset quality indicators for the bank are weaker than the system averages. Further delays in the economic recovery indicators could continue to exert pressures on the asset quality and consequently profitability of the bank. In ICRA's view, while the management has taken initiatives, the ability of the management to prevent fresh slippages and speedy recovery from bad assets will have a critical bearing on the asset quality.

Compared to the robust loan book growth seen 16% in FY2013 and 28% in FY2014, BOI's growth rates moderated to 10.6% in FY2015. The trend continued in Q1FY2016 as well, as the loan book shrunk on a QoQ basis from Rs 411,726 crore to Rs. 395,614 crore, as part of the strategy to increase focus on recoveries while consolidating the scale of operations. While the incremental focus is towards MSME, Agri and retail, the segmental mix largely remains the same with corporate segment (56%) dominating the profile followed by SME/MSME (17%) and agri loans (15%) as on June 30, 2015.

* As a percentage of Sectoral Advances



BOI's resource profile remains comfortable with domestic CASA base of around ~32% as on June 2015. BOI's extensive branch network comprising 4907 branches spread across India with high proportion in rural and semi urban areas and a lower dependence on high cost bulk deposits (65% of domestic deposits less than Rs 1Crores) has helped it maintain an adequate CASA ratio. However, with yields on advances witnessing a decline on account of interest reversal due to slippages and subdued non-interest income, NIMs[†] fell from 2.12% for FY2014 to 1.92% in FY2015. As the provision remained high, lower NIMs translated to a lower PAT/ATA of 0.29% for FY2015 as compared 0.53% for FY2014. In Q1FY2016, the bank's profitability was further hit by the bank's decision of switching to IALM mortality table for calculation of pension provisions which led to an increase in the provisioning cost. Subsequently, the PAT/ATA for Q1FY2016 declined to 0.09%. BOI's profitability is expected to remain under pressure in the near term as the total provision for pension would be phased over the remaining three quarters.

BOI's current capitalization profile is moderate as its Tier I capital stood at 8.23% and a CRAR of 10.75% as against regulatory minimum requirement of 6% and 9% for FY2015. The bank has received Rs 2455 Crores as part of the Government of India's recapitalization plan under "Indradhanush" mission in September 2015. BOI would need sizeable capital to meet higher capital requirement as well as to aid future growth.

Profile of the Bank

Bank of India (BOI) was incorporated in 1906 and was under private ownership and control till July 1969 when it was nationalized along with 13 other banks. Government of India holds 64.43% stake in the bank as on June 30, 2015. The bank has a wide spread network of 4907 branches across India along with 7479 ATMs as on June 30, 2015. During FY2015 the bank reported profit after tax of Rs.1709 Crores on total asset base of Rs.615,142 Crores as on March 31, 2015 against profit after tax of Rs.2729 Crores on total asset base of Rs.569,448 Crores as on March 31, 2014. The bank reported a capital adequacy of 10.73% under Basel III with a Tier I capital of 8.17% as on March 31, 2015.

Recent Results

BOI had a total deposit base of Rs. 508,260 Crores with a net loan portfolio outstanding at Rs. 395,614 Crores as on June 30, 2015. It earned a PAT of Rs 129.72 Crores on a total interest income of Rs 10,819 Crores in Q1FY2016 as compared to a negative PAT of Rs 56 Crores on a total interest income of Rs 11,138 Crores in Q4FY2015

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[†] As per ICRA Calculations



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